

# **FISCAL NOTE**

## **SB 2796 - HB 3254**

February 8, 2008

**SUMMARY OF BILL:** Exempts from state and local sales tax the retail sale of over-the-counter drugs that were formerly prescription drugs.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$13,757,800**

**Decrease Local Revenue - \$5,297,200**

#### Assumptions:

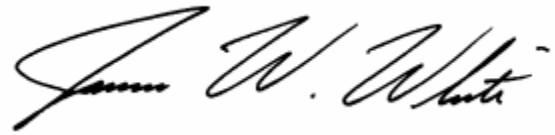
- According to the Department of Revenue, and based on the Consumer Healthcare Products Association, there are more than 700 over-the-counter drugs that were formerly prescription drugs. The retail sale of such drugs is estimated to be approximately \$10.3 billion per year nationwide.
- Tennessee population is 2.0% of U.S. population.
- Taxable sales attributable to Tennessee are estimated to be \$206,000,000 ( $\$10.3 \text{ billion} \times 2.0\% = \$206,000,000$ ) per year.
- The current state sales tax rate is 7.0%.
- The decrease to state sales tax revenue is estimated to be \$14,420,000 ( $\$206,000,000 \times 7.0\% = \$14,420,000$ ) per year.
- Local governments receive a 4.5925% allocation of state sales tax revenue.
- The decrease of local government revenue attributable to loss of state-shared sales tax revenue is estimated to be \$662,200 ( $\$14,420,000 \times 4.5925\% = \$662,239$ ) per year.
- The net decrease to state revenue is estimated to be \$13,757,800 ( $\$14,420,000 - \$662,200 \text{ local share} = \$13,757,800$ ) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue attributable to the loss of local option sales tax is estimated to be \$4,635,000 ( $\$206,000,000 \times 2.25\% = \$4,635,000$ ) per year.

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- The total decrease of local government revenue is estimated to be \$5,297,200 (\$662,200 state-shared + \$4,635,000 local option = \$5,297,200) per year.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc